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Book review of "Carola Betzold and Florian Weiler. 2018. *Development Aid and Adaptation to Climate Change in Developing Countries* (Cham, CH: Palgrave Macmillan)"

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Within the last two decades, global climate policy has become an increasingly important topic on the international agenda. While the 1990s and early 2000s were still driven by the belief that the international community could manage to reduce emissions sufficiently to avoid serious consequences of climate change, today's reality shows that climate change mitigation will not be enough. This became clear especially after the failed Copenhagen conference of 2009. Even if countries started to reduce emissions very significantly from now on, climate change damages can no more be avoided given that temperature has increased from pre-industrial levels by 1.0°C already. In many countries, notably in the poorer parts of the world, consequences of climate change such as an increased variability in rainfall leading to both droughts and flooding, sea level rise, and temperatures that reduce the growth of major traditional crops have already become a reality.

Therefore, adaptation to climate change has become increasingly relevant. The World Bank now promotes insurances against climate risks for countries in the Caribbean and the Pacific, and Tuvalu has already started negotiating migration agreements for the time when its islands will be covered by water. Yet, from a normative perspective, it seems unfair to leave the responsibility for action to those most vulnerable countries that suffer the damage, rather than to focus on the polluters that cause the harm. In principle, this has been widely agreed internationally and led to the decision within the United Nations Framework Convention on Climate Change (UNFCCC) to provide substantial financial support to developing countries. UNFCCC members further agreed that this "climate finance" should be additional to existing support by industrialized countries such as traditional development aid.

The recent book by Betzold and Weiler is the first book to examine the corresponding rise of adaptation aid in a truly comprehensive way. Building on an introduction that provides useful definitions of the main concepts and terminology, the book starts with a historical perspective on the evolution of the concern for adaptation within the international negotiations. While speaking about adaptation initially signaled a mere distraction from the actually relevant topic of climate change mitigation, adaptation has moved increasingly towards the core of the negotiations. The book then moves on to question what the eventual international agreement on additional climate finance (including adaptation finance) concretely implies. Indeed the terminology chosen in this respect in the Copenhagen Accord in 2009 and subsequent UNFCCC decisions leaves a lot of room for interpretation. What kind of finance is implied, public or private? Development aid or some substantially new type of funding with more freedom for recipients to decide about its use, as it is not "charity" but restitution compensating for costs imposed from outside (Müller 2010)? Finally, what does "additional" mean – additional to current levels of development aid or additional to the (much higher) level of development aid that donors committed in the context of various meetings of the UN General Assembly, i.e. 0.7% of their national incomes (Stadelmann, Roberts, and Michaelowa 2011)?

Betzold and Weiler argue that additionality should in any case imply that adaptation finance is somehow distinguishable from traditional aid, and that there is, in fact, some conceptual difference between the two. This conceptual difference should become evident in the allocation of adaptation finance. In particular, the allocation of adaptation finance should focus primarily on the recipient countries'

vulnerability to climate change. The authors then provide a comprehensive discussion of different and largely complementary concepts of vulnerability that are reflected in different indices considering physical and administrative capacities as well as the financial capability to adjust to climate change. In the context of a standard aid allocation model based on recipient need, recipient merit, and donor interest, they interpret vulnerability to climate change as a specific dimension of recipient need. They also highlight that the interpretation of some of the indicators may be ambiguous. In particular, good governance can indicate recipient merit (thus calling for increased aid), but at the same time less vulnerability due to functioning administrative processes (hence providing a less convincing rationale for adaptation finance). Of course, similar arguments can be made for the ambiguity of the interpretation with respect to the allocation of traditional aid.

The core of the analysis consists of the empirical investigation of donors' actual allocation of funding. As a first step, the authors conduct a three-dimensional panel analysis across donors, recipients and years based on data for official development assistance provided by the OECD's Development Assistance Committee (DAC). DAC data provide specific markers for adaptation related aid, so that the latter can be distinguished from other types of aid. It should be noted that—whether conceptually different or not—most adaptation finance is formally accounted for as aid because it conforms to the relevant DAC criteria. Consequently, using adaptation aid appears as an acceptable approximation of adaptation finance more broadly. In a second step, in-depth case studies are carried out for the three donors Germany, Sweden, and the United Kingdom. These case studies include country-specific regressions as well as interviews with relevant staff that add to the understanding of the more abstract correlations obtained in the quantitative analysis.

The main result is that while physical vulnerability matters, the allocation of adaptation finance remains quite similar to the allocation of aid more generally. Donors tend to select countries first, and they select primarily those with whom they collaborate anyway. In a second step, they define the type of programs—partly based on recipient requests—and unsurprisingly, this then includes more adaptation related projects in recipient countries that face a greater risk from climate change. Equally in line with aid allocation more generally, there is some evidence for the role of donor interest, notably with respect to trade, and donors appear to interpret good governance as a signal of merit rather than of lesser need, i.e., it is positively, rather than negatively correlated with adaptation aid. Among the three donors examined in more detail, the latter is particularly true for Sweden.

These results are very interesting for anyone interested in detailed information about how donors deal with the introduction of a new field of development finance. The normative interpretation of the results, however, remains difficult. Betzold and Weiler conclude that we should observe a greater distinction from traditional aid, but is that true? How much should adaptation aid resemble traditional development aid, how much should it differ?

In fact, the regression models in Chapter 5 suggests that many variables affect the allocation of adaptation aid in different ways than they affect general aid. As general aid is always controlled for, the effect of other factors—that also affect general aid—must be interpreted as an effect over and above the effect these factors have on general aid. For instance, the significant coefficient for least developed countries (LDCs) of about 0.10 in the aid allocation regressions implies that, on average, an LDC can expect a 10% higher adaptation aid than it would obtain if this criterion were applied in the same way as for overall aid. Similarly, if good governance shows a positively significant coefficient (such as in Table 5.4, Regressions 2 and 4), this does not only mean that—just as for traditional aid—good governance positively influences

aid spending, but also that it has a greater positive influence on the allocation of adaptation aid than on the allocation of aid overall. While the interpretation of good governance as a proxy for high administrative capacity leads the authors to expect a difference in the opposite direction, it remains that there is a significant difference. Allocation of adaptation aid along these lines may also be efficient, namely if the effective implementation of adaptation projects depends on good governance even more than the implementation of other projects. In brief, when controlling for overall aid, any significant other coefficient in the regression—no matter whether positive or negative—shows a significant difference as compared to the allocation of traditional aid. And there are many significant coefficients in the models.

One caveat may be warranted: Some of the explanatory variables are highly correlated and their significance in opposite directions may therefore not always be meaningful in practice. As clearly illustrated in Figure 5.1, there is a high risk of multicollinearity especially with respect to the different indicators of vulnerability (e.g., ND-Gain capacity and GDP per capita). It may thus be risky to interpret each of these coefficients separately. To see how much the allocation of adaptation finance really differs from the allocation of general aid, it would have been interesting to compare the explanatory power of a model with only overall aid to a model with all the other explanatory variables.

In our own work on the allocation of adaptation aid, we find evidence for substantial differences. Using GDP per capita as the only proxy for adaptive capacity its effect can be directly compared to the effect we find in a standard aid allocation model. It turns out that adaptation aid much more strongly targets poor countries than general aid (Bagchi, Castro and Michaelowa 2016, Table 2). In addition, our regressions confirm what Betzold and Weiler suggest in their qualitative historical account: Over time, the allocation of adaptation aid has been significantly influenced by major developments regarding climate policy at the international level (Michaelowa and Michaelowa 2012).

Further differences between the allocation of traditional aid and the allocation of adaptation aid may be overlooked in statistical models due to the large amount of regionally unallocated adaptation finance for some donors. The authors mention the example of Sweden that provides information on individual recipient countries only for half of its adaptation aid. This implies that the other half of its support for adaptation cannot be taken into account in the econometric estimation, and there are good reasons to believe that the selection is not random. Most probably, the remaining bilateral adaptation aid flows into trust funds managed by international organization that collect the support from one or several donors and then disburse the funds—without being constraint by long-standing bilateral relations—whenever and wherever they see a good opportunity (see Reinsberg, Michelowa, and Eichenauer 2015; Reinsberg, Michaelowa, and Knack 2017). A trust fund focusing on adaptation should thus be expected to target vulnerable recipient countries much more directly, and therefore, a donor that channels his aid through such a trust fund will be more effective at targeting than bilateral statistics may suggest.

For similar reasons, it would have been interesting to compare the allocation of adaptation aid by bilateral donors to the allocation by multilateral donors. The book, however, covers multilateral donors only in the descriptive analysis of Chapter 4. Yet, the authors note that some recipients receive adaptation aid from multilateral donors alone (p. 100). It would be interesting to explore why this is the case.

The qualitative analysis based on case studies for Germany, Sweden and the United Kingdom provides some useful complementary insights into the selection of recipients, but also leaves a number of open questions. Are there any structural features of the administrative systems or any relevant factors related to national preferences that also determine the extent to which a donor can flexibly react to new

challenges and change the selection of recipients more easily when required? Are there any factors that induce aid agency staff to reflect about relevant adjustments in aid allocation criteria? Under which conditions is the focus on adaptation mainstreamed into general aid? Are there any normative considerations on whether adaptation finance should be handled like aid projects at all, or rather, as suggested within the UNFCCC, as unconditional reparation payments to the budget of developing countries?

Clearly, if adaptation aid is mainstreamed, there will be little difference between the allocation of adaptation aid and of aid more generally. If adaptation finance comes in the form of budget aid, donors may reasonably expect more evidence about good governance (Knack 2013). Knowing additional details about the reasoning within aid agencies could thus have helped with the interpretation of the findings.

It is obvious, however, that not all interesting questions can be treated within a single book. This book provides a useful starting point. It touches upon all relevant points in the current debates about adaptation finance but focuses on the analysis of the role of specific vulnerability indicators for explaining the allocation of adaptation aid. Beyond people specifically interested in adaptation, it can be an interesting read for those who wish to learn more about the implementation of policies that fall between the responsibilities of different and partially competing international spheres, and for readers who wish to study the development of a new policy domain or sector within development cooperation.

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